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A Study on Unemployment Trends Over the Last Decade in India

Abstract : Unemployment has remained one of the most pressing challenges for the global economy, and India, despite being one of the fastest-growing economies, has not been immune to its fluctuations. Over the last decade, unemployment in India has experienced periods of stability, sharp increases during the COVID-19 pandemic, and uneven recovery in recent years. This paper explores unemployment trends from 2010 to 2025 with a specific focus on their implications for commerce, business growth, consumer demand, and economic policy. The study emphasizes the intersection between unemployment and commerce by analyzing how joblessness influences trade, market expansion, entrepreneurship, and financial performance. Through secondary data analysis, literature review, and comparative insights, this research identifies structural challenges, highlights the gaps in job creation, and proposes sustainable solutions for reducing unemployment while fostering inclusive economic development. The findings suggest that despite government initiatives such as "Skill India," "Startup India," and MGNREGA, unemployment remains high among youth and graduates, calling for deeper reforms in education, vocational training, and labour market policies.

Keywords : Unemployment, Reforms, India, Commerce, Economy.

Introduction : Unemployment is not merely an economic indicator; it is a multidimensional issue that affects business growth, consumer purchasing power, social stability, and national development. In the context of commerce, unemployment has a direct bearing on demand, supply, and overall market efficiency. A high unemployment rate leads to reduced disposable income, declining consumer confidence, and weaker business performance. Conversely, effective employment generation fuels economic expansion, promotes entrepreneurship, and enhances overall trade activity.

Globally, unemployment has seen fluctuations driven by technological shifts, globalization, and policy changes. The last decade (2010–2025) has been particularly eventful. Before 2020, India's unemployment rate remained relatively stable at around 5–5.6%. However, the COVID-19 pandemic disrupted this trajectory, causing unemployment to soar to unprecedented levels, touching nearly 26% in April 2020 according to CMIE estimates. The years 2021–2025 saw gradual recovery, though unemployment remained elevated at 7–8% in 2023–2024 before showing signs of improvement in 2025.

From a commerce perspective, unemployment has significant implica-

tions. For instance, persistent unemployment among educated youth indicates a mismatch between academic learning and market requirements. This mismatch not only affects individual livelihoods but also weakens the entrepreneurial ecosystem, reduces innovation, strains social welfare systems. Furthermore, unemployment influences consumer demand, investment flows, and even government revenue collection through taxes, thereby directly affecting the functioning of the commerce sector.

This research paper explores unemployment trends in India over the last decade, with a dual lens—economic and commerce-related. It seeks to answer the following key questions:

1. What have been the major unemployment trends in India between 2010 and 2025?
2. What structural and cyclical factors have contributed to unemployment?
3. How does unemployment affect commerce, trade, and consumer behavior?
4. What policies and interventions have been implemented, and how effective have they been?
5. What strategies can be adopted to reduce unemployment while strengthening India's commercial ecosystem?

By addressing these questions, the paper aims to contribute to both academic literature and policy discourse

on employment, commerce, and sustainable economic development.

Literature Review : Unemployment has been widely studied as a macroeconomic problem, but its linkages with commerce and business development have gained more attention in recent decades. Several researchers have analyzed how unemployment influences not only economic growth but also consumption, investment, and market structures.

Unemployment and Economic Growth : Okun's Law (Okun, 1962) established an inverse relationship between unemployment and economic growth, suggesting that persistent unemployment reduces productive capacity and weakens GDP. More recent studies (Verick, 2021; World Bank, 2023) reinforce that economies with high unemployment struggle with reduced competitiveness and declining household demand.

Youth and Graduate Unemployment : According to Kannan and Raveendran (2019), India has faced a paradox of "jobless growth," where GDP expanded without proportionate job creation. Studies by Mehrotra (2020) indicate that graduate unemployment in India remains particularly high due to a mismatch between education systems and labour market requirements. Youth unemployment is seen as not only an economic problem but also a social challenge, creating risks of unrest and inequality.

Unemployment and Commerce Sector :

Scholars have emphasized how unemployment affects commerce directly. According to Prasad and Singh (2018), high unemployment reduces consumer purchasing power, thereby lowering demand for goods and services. Similarly, Kumar (2021) noted that unemployment among youth has slowed the growth of retail trade and e-commerce in India. On the other hand, the gig economy has emerged as an alternative form of employment, as discussed by Abraham et al. (2022).

Government Initiatives and Employment Generation : Studies by NITI Aayog (2021) and Sharma (2022) have evaluated schemes like MGNREGA, Startup India, and Skill India. While these have created some employment opportunities, structural challenges—such as informality, underemployment, and automation—continue to undermine their effectiveness. Research by ILO (2023) highlights that the informal sector absorbs a large share of the unemployed, but jobs remain precarious and low-paying.

Comparative Insights : International comparisons show that unemployment in India behaves differently from developed nations. While European countries often face cyclical unemployment due to economic downturns, India faces structural unemployment due to education-job mismatches (ILO, 2020). A study by Gupta and Thomas (2022) indicates that unlike China, where

industrial expansion absorbed labour, India's service-led growth has not created sufficient employment opportunities.

In summary, the literature suggests that while unemployment in India has macroeconomic causes, its impact is most visible in commerce through reduced demand, slower business expansion, and weaker consumer confidence. However, limited research has integrated unemployment analysis with commerce, leaving scope for deeper exploration.

Objectives of the Study : The primary objective of this research is to analyze unemployment trends in India over the last decade (2010–2025) from a commerce perspective. Specific objectives include:

1. To examine the major trends in unemployment in India between 2010 and 2025.
2. To identify the structural, cyclical, and policy-driven factors contributing to unemployment.
3. To study the impact of unemployment on commerce, including consumer demand, trade, and business growth.
4. To assess the effectiveness of government initiatives aimed at employment generation.
5. To compare India's unemployment trends with selected global economies.
6. To suggest strategies for reducing unemployment while strengthening India's commercial ecosystem.

Research Methodology : This research adopts a descriptive and analytical approach, based primarily on secondary data.

Data Sources: Data has been collected from government reports (NSSO, Periodic Labour Force Survey, CMIE, NITI Aayog), World Bank, International Labour Organization, Reserve Bank of India, and peer-reviewed journals. Newspaper articles, industry reports, and policy briefs have also been referred to.

Nature of Data : The study focuses on macro-level unemployment data from 2010–2025. Both annual and monthly data have been considered to capture fluctuations, especially during the COVID-19 pandemic.

Scope of the Study : Covers India with limited comparative references to BRICS and global unemployment trends.

Focuses on unemployment's link with commerce, i.e., business growth, consumer behavior, and trade.

Analyzes government interventions and their impact on employment generation.

Analytical Framework : Trend Analysis for unemployment rates across the decade.

Comparative Analysis with select economies.

Thematic Analysis for understanding policy initiatives and their effectiveness.

The study is limited by its reliance on secondary data and may not capture informal/unreported employment comprehensively. However, the insights

derived provide a strong foundation for policy recommendations.

Analysis of Unemployment Trends (2010–2025) : Unemployment trends in India over the last decade reflect both structural challenges and cyclical shocks.

Between 2010 and 2019, the unemployment rate remained relatively stable, fluctuating around 5– 5.6%. However, the COVID-19 pandemic (2020) caused a sudden spike, followed by a gradual but uneven recovery.

Table 1: Unemployment Rate in India (2010–2025)

YEAR	Unemployment Rate (%)	Key Observation
2010	5.60	Stable baseline
2011	5.50	Minor decline
2012	5.45	Stable
2013	5.41	Stable
2014	5.44	Pre-reform stability
2015	5.45	Similar to 2014
2016	5.50	Demonetization shock
2017	5.33	Slight decline
2018	5.36	Stable
2019	5.36	Pre-covid situation
2020	8.00 (26% peak in April)	Covid lockdown crisis
2021	5.98	Recovery begins
2022	7.33	Urban-Rural divide visible
2023	8.00	High unemployment persists
2024	7.80	Signs of stabilization
2025	7.90 (Feb)	CMIE estimates
2025	5.10 (Apr)	PLFS monthly survey

Source: CMIE, PLFS, World Bank, ILO (compiled by author)

Factors Affecting Unemployment (Commerce & Economic Viewpoint)

1. Economic Growth vs Job Creation : India experienced strong GDP growth (6–7%) pre-COVID, but much of it was “jobless growth”. Growth driven by IT and services did not absorb large sections of the workforce, particularly low-skilled labour.

2. Skill Mismatch : A major factor is the

mismatch between education and market needs. Despite producing millions of graduates annually, many lack vocational skills. This results in high graduate unemployment (42% in 2023).

3. Technological Disruption : Automation, AI, and digitalization have replaced certain low-skilled jobs, especially in manufacturing, banking, and retail

commerce. While creating new digital jobs, they often require skills that unemployed youth do not possess.

4. Informal Sector Dependence : Over 80% of India's workforce is employed in the informal sector. This leads to disguised unemployment, underemployment, and lack of job security, limiting consumption capacity.

5. Pandemic Shock (2020) : COVID-19 led to massive job losses in retail, hospitality, transport, and construction. Commerce-related businesses suffered as consumer demand collapsed due to layoffs.

6. Urban-Rural Divide : Urban unemployment rose sharply during the pandemic, while rural areas relied on MGNREGA as a fallback. However, rural employment often remained low-paying and seasonal.

7. Policy and Structural Constraints : While schemes like Skill India and Startup India aimed to generate jobs, bureaucratic hurdles, lack of coordination, and weak implementation reduced their impact.

Impact of Unemployment on Commerce and Business : Unemployment is not only a social problem but also a commercial constraint. The following effects are particularly significant for the commerce sector:

1. Reduced Consumer Demand :

Unemployed individuals have limited disposable income, which lowers overall demand for goods and services. For

example, FMCG sales dipped in 2020–21 as rural demand weakened due to rising joblessness.

2. Impact on Retail & E-commerce : The growth of e-commerce relies heavily on young, urban consumers. High youth unemployment reduces purchasing power and slows retail expansion.

3. Decline in Investment : Businesses hesitate to expand when consumer demand is low, leading to a vicious cycle of weak job creation.

4. Financial Sector Stress : Unemployment increases loan defaults and reduces savings, affecting banking and financial institutions.

5. Entrepreneurship Slowdown : While some unemployed individuals turn to self-employment, lack of credit access and financial literacy limits large-scale entrepreneurship.

6. Tax Revenue Loss : Governments collect lower indirect and direct taxes when fewer people are employed, reducing public spending capacity and slowing commerce.

Sector-Wise Analysis of Unemployment in India : Unemployment impacts sectors differently. In India, the three dominant sectors—agriculture, manufacturing, and services—have shown distinct patterns.

1. Agriculture Sector : Employs nearly 42% of India's workforce* but contributes only about 16–17% to GDP.

Seasonal unemployment is widespread due to dependence on monsoon cycles.

Many agricultural workers are “disguisedly unemployed,” meaning more people work than necessary for actual output.

Despite government schemes (PM-Kisan, MSP system), agriculture remains unable to absorb surplus labour.

2. Manufacturing Sector : Considered a driver of job creation under the “Make in India” initiative.

However, manufacturing’s share in employment has stagnated at around 12–14%.

Automation and capital-intensive production processes reduced demand for labour.

COVID-19 disrupted MSMEs (micro, small, and medium enterprises), leading to factory shutdowns and layoffs.

3. Services Sector : Contributes nearly 55% to India’s GDP, but employs only 30% of the workforce.

Growth concentrated in IT, finance, and high-skilled services, leaving out semi-skilled and low-skilled workers.

Retail, tourism, and hospitality were severely hit during the pandemic, with large-scale layoffs.

Gig economy platforms (Swiggy, Zomato, Ola, Uber) absorbed some unemployed youth, but jobs are informal, low-paying, and insecure.

Table 2: Sector-Wise Employment Share in India

Sector	Employment Share (%)	GDP Contribution (%)
Agriculture	~ 42	~ 16-17
Manufacturing	~ 12-14	~ 25
Services	~ 30-32	~ 55

Source: NSSO, PLFS, RBI Reports

Government Schemes and Policy Analysis: India has launched multiple programs to address unemployment, with mixed results:

1. MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act)

Provides 100 days of wage employment in rural areas.

Helped reduce rural distress during COVID-19 but limited to unskilled, low-wage work.

2. Skill India Mission (2015) : Aimed to train over 400 million people by 2022.

Progress has been uneven, with many

trained youth still unemployed due to lack of industry alignment.

3. Startup India & Stand-up India (2016)

Encouraged entrepreneurship by providing credit and tax benefits.

Startups created jobs, but urban-centric and limited in scale.

4. Make in India (2014) : Targeted manufacturing sector growth and job creation.

Progress hampered by slow investment and global competition.

5. Atmanirbhar Bharat (2020, COVID-19 response) : Provided credit to MSMEs and

self-reliant businesses.

Helped sustain businesses but did not significantly reduce unemployment.

6. Labour Law Reforms (2020–2021) :

Simplified labour codes to encourage business hiring.

Implementation challenges remain at state level.

Comparative International Perspective:

To contextualize India's unemployment, it is useful to compare with BRICS nations (Brazil, Russia, India, China, South Africa):

Table 3: Unemployment Rate in BRICS (2024)

Country	Unemployment Rate (%)	Key Observations
India	7.8	Structural and pandemic recovery
Brazil	7.9	High cyclical unemployment
Russia	3.2	Stable, low unemployment
China	5.2	Industrial absorption
South Africa	32.0	Chronic unemployment crisis

Source: World Bank, ILO (2024)

India's unemployment is higher than China and Russia but far lower than South Africa.

Unlike Brazil (cyclical unemployment due to economic slowdown), India's problem is structural, rooted in labour-skill mismatch.

China absorbed rural labour into manufacturing, while India's services-driven growth left many behind.

Findings and Discussion:

From the analysis of unemployment trends (2010–2025), several key findings emerge:

1. Pre-COVID Stability (2010–2019) :

Unemployment remained relatively stable (~5–5.6%).

However, this stability masked structural unemployment due to skill mismatches and disguised rural unemployment.

2. COVID-19 Shock (2020): Unemployment spiked to 26% in April 2020 (short-term peak).

Retail, hospitality, manufacturing, and trade sectors saw mass layoffs.

3. Uneven Recovery (2021–2025) : Urban unemployment remained higher than rural due to disruptions in services and retail.

Youth and graduates faced persistently higher unemployment (42% of graduates unemployed in 2023).

4. Commerce-Specific Effects : Reduced consumer demand directly hit FMCG, retail, and e-commerce.

Decline in household savings and lower purchasing power slowed business expansion.

Informal gig jobs absorbed some unemployed youth but offered poor income stability.

5. Sectoral Imbalance : Agriculture remains overburdened (42% workforce, ~16% GDP).

Manufacturing failed to expand employment despite “Make in India.”

Services sector growth concentrated in IT and finance, bypassing semi-skilled workers.

6. Policy Outcomes : Schemes like MGNREGA and Atmanirbhar Bharat provided temporary relief but did not solve structural unemployment.

Skill India trained millions, but lack of demand–supply alignment limited effectiveness.

Startup India helped urban entrepreneurship but failed to scale nationwide.

7. Global Comparison : India’s unemployment is higher than China (5.2%) and Russia (3.2%), but much lower than South Africa (32%).

India’s unemployment is primarily structural, unlike Brazil (cyclical).

Conclusion : Unemployment in India over the last decade demonstrates the interplay of stability, crisis, and partial recovery. The period from 2010 to 2019 reflected a stable trend, but without sufficient job creation to match economic growth. The pandemic disrupted this balance, exposing the fragility of India’s labour market. Despite recovery efforts, unemployment continues to hover around 7–8%, with youth and educated unemployment remaining disproportion-

ately high.

From a commerce perspective, unemployment has severe implications: Lower consumer demand leads to weaker sales and slower business growth.

Reduced household incomes affect investment, credit, and financial markets. Informality and gig employment expand, but without social security or income stability.

The structural nature of unemployment in India demands more than short-term relief measures. It requires long-term reforms in education, skill alignment, industrial expansion, and entrepreneurship ecosystems.

Suggestions :

1. Strengthen Skill Development Programs
Align training with industry demand (e.g., AI, data analytics, renewable energy).

Focus on employability rather than just certification.

2. Boost Manufacturing and MSMEs :
Provide incentives for labour-intensive industries (textiles, food processing).

Support MSMEs with credit and market access to absorb local labour.

3. Formalize the Gig Economy :
Provide social security, insurance, and minimum wage protections for gig workers.

4. Encourage Rural Entrepreneurship :
Promote agribusiness, food processing, and rural startups to reduce disguised unemployment.

5. Policy Coordination :

Integrate labour reforms, industrial policy, and education policy to ensure holistic job creation.

6. Global Best Practices :

Learn from China's labour absorption into industry and Germany's vocational training model.

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